

P i n g u i c o
M i n e s
C o m p a n y

ANNUAL REPORT
June, Nineteen Hundred and Nine

ANNUAL REPORT

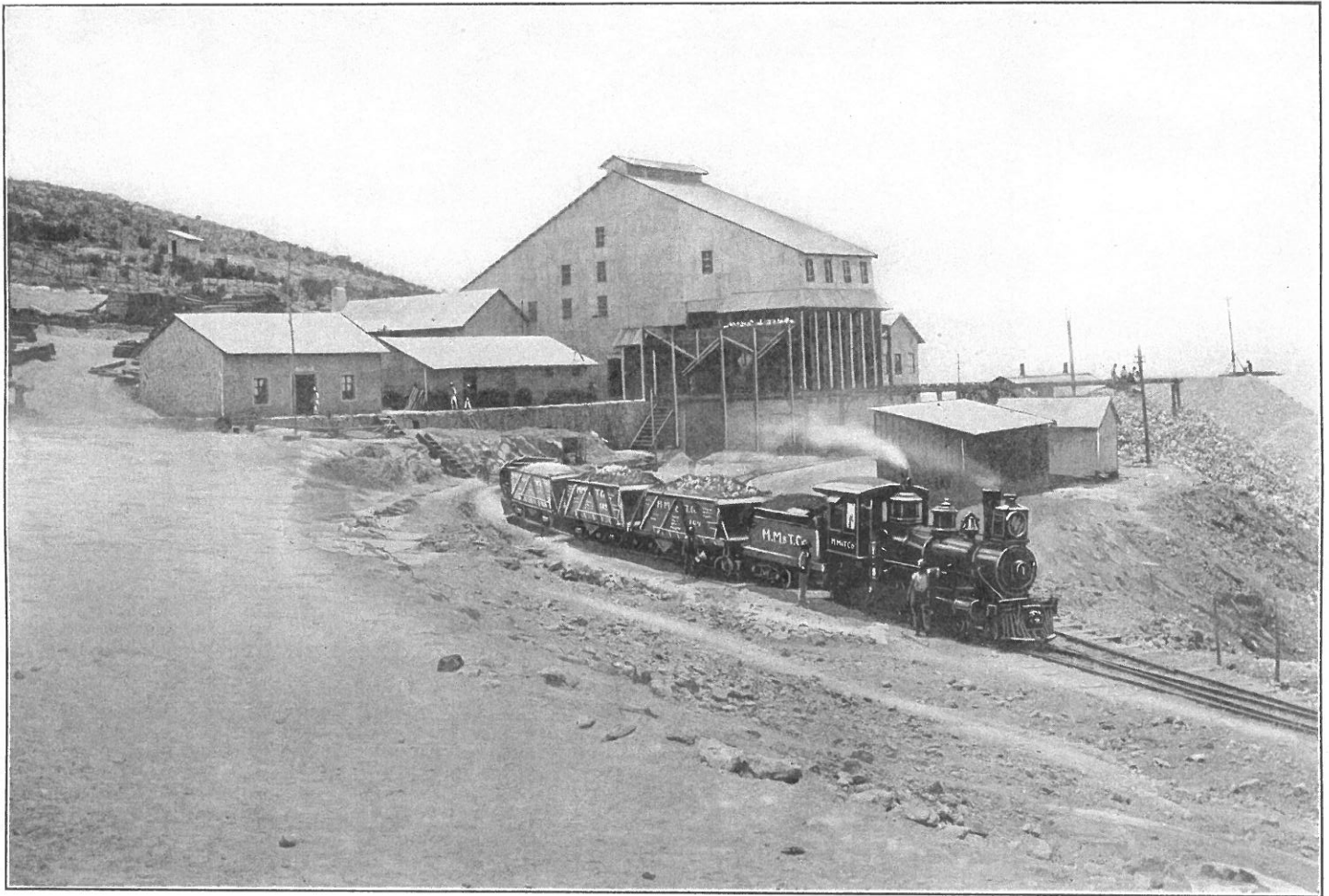
Pinguico Mines Company

JUNE, 1909

General Office

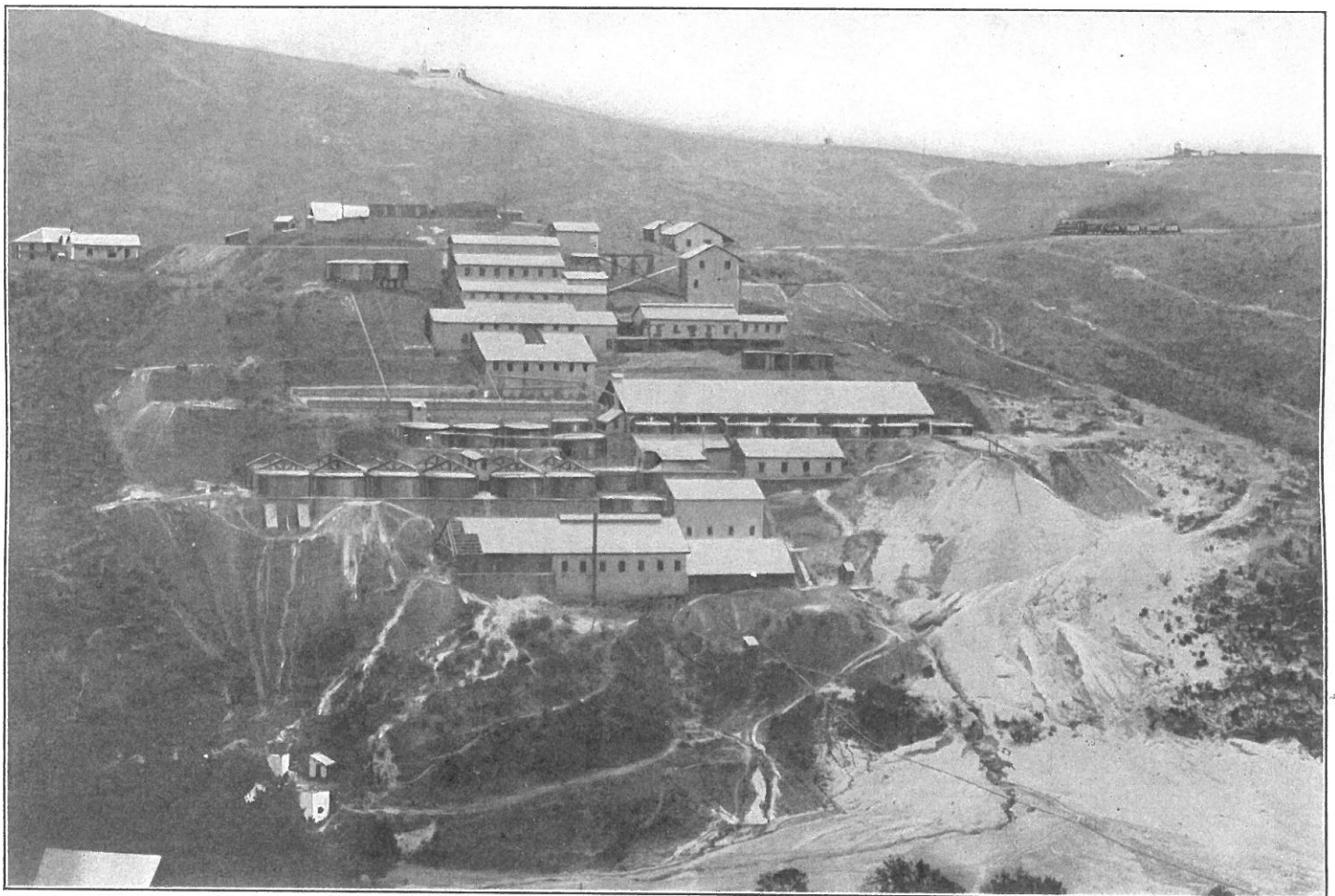
40 Wall Street, New York

Mexico Office: Guanajuato, Mexico



PINGUICO MINE

Shaft House, Waste Dump and Ore Train to Mill. Hoisting Capacity—400 Tons per day



PINGUICO CYANIDING MILL—Daily Capacity 250 Tons

Pinguico Mines Company

Officers, 1909-10

GEORGE W. BRYANT,	President
WILLIAM R. RONEY,	Vice-President
GEORGE W. McELHINEY,	Vice-President
FRANK G. PECK,	Treasurer
WRIGHT JOHNSON,	Asst. Treasurer
JOHN H. HOUSE,	Secretary
GEO. W. McMAHON,	Asst. Secretary

Executive Committee

WILLIAM R. RONEY	GEORGE W. McELHINEY
G. F. STRINGER	

HON. JAMES H. ROTHROCK	GEORGE W. BRYANT
General Counsel	Resident Director in Mexico

Directors

GEORGE W. BRYANT,	Guanajuato, Mexico
WILLIAM R. RONEY,	New York
FRANK G. PECK,	Colorado Springs, Colo.
GEORGE W. McELHINEY,	New York
AMOS F. ADAMS,	Boston, Mass.
FRANK B. MEDBURY,	Youngstown, O.
WILLIAM B. FIELD,	Jackson, Mich.
G. F. STRINGER,	New York
WRIGHT JOHNSON,	New Jersey

Consulting Engineer

E. A. WILTSEE, New York

PRESIDENT'S REPORT

To the Stockholders of the
Pinguico Mines Company:

During the year ending April 30, 1909, the following results were obtained from your property:

69,362 Dry Metric Tons Ore Milled, value,.....	\$1,083,261.76
536 Dry Metric Tons Shipped, value	127,105.39
<u>69,898 Dry Metric Tons, total value.....</u>	<u>\$1,210,367.15</u>

From this must be deducted:

Metallurgical Loss in Treatment.....	\$126,280.02
Cost of Mining and Milling.....	468,376.81
Cost of Shipping and Selling.....	119,832.62
Cost of Development and breaking ore not yet extracted	60,693.67
	<u>775,183.12</u>
Leaving an Operating Profit of	\$435,184.03

The price of Silver in 1906 and 1907, while your mine was being opened up and your mill constructed, was about 67 cents, United States Currency, per ounce. The average price for 1908 was a little less than 53 cents per ounce, while for the first four months of 1909 it was only about 51 cents per ounce.

During the past sixteen months there have been produced from the mine and either milled or shipped 71,514 Kilos of Silver, equivalent to 2,299,207 ounces.

Had the price of 1906 and 1907 been maintained, this output of silver would have been worth about \$332,000 more than it has returned to us under the low prevailing prices, and this would have meant about \$270,000 more profit thereon.

A slight advance in Silver has obtained during the last few months, and the average price for the month of May, just ended,

*Guanajuato
Operations*

*Price
of
Silver*

will be the highest since July of last year. There appears to be excellent reason for expecting a further advance because of the increased demand for Silver in the East.

MINE

Develop- ment Work

A great deal of development work has been done in the mine since the last annual report, and while a large portion has been on the vein and in ore, much dead work has also been done.

Both the Fortuna and Pinguico shafts have been sunk to greater depths during the year. The 7th level has been greatly extended to the north and the entire 8th level has been opened up during the year, until it now has a length of about 1,300 feet from the shaft.

Diamond drill holes from the Fortuna shaft to the vein located its position, and a cross-cut from the 4th level has now reached the vein, which shows the same conditions existing as upon the upper level in the old portion of the mine. There is every reason to expect that further work in depth at this point will give as good results in the way of ore as was found in the older workings.

New Ore Shoot

The 8th level of the mine, as opened from the Pinguico shaft, is entirely in ore, but with varying values, a portion being barely pay ore and the remaining portion being very profitable. At the southeast end of this level there have lately been found intrusions of ore bearing so great a resemblance to the new ore shoot of the adjoining Carmen Mine, that I feel certain this valuable ore shoot is dipping directly into the Pinguico Mine, and that below the 8th level we shall be able to count upon a valuable body of ore distinct from that upon which we have been working.

The continuance of the older ore body in depth seems very well assured, and preparations are being made to open up the 9th level as quickly as possible.

While we were preparing to take out the ore between the 7th and 8th levels, it was necessary to depend upon lower grades of ore existing on the upper levels of the mine, resulting in a decreased income for the Company.

The large amount of dead work in connection with further sinking of Pinguico and Fortuna shafts calls for such heavy expenditures that I have advised your Executive Committee that it would in my opinion, be wise to somewhat delay the heavier portion of these expenditures until the results of milling the higher grade of ore going into the mill shall have placed the Company in better financial condition, but I have also advised that development work proceed on the vein and in ore as rapidly as possible.

The high grade ore shoot, from which shipments to smelters alone during the past sixteen months aggregated about \$150,000, is broken up on the 8th level, but with better walls below that level there is reason to hope that it will again be opened; and one of these high grade shoots having been found, there is no reason why others should not exist and be encountered from time to time.

Your mine is too new to expect to have large ore reserves blocked out, but the indications are excellent for the continuance of the ore shoot along the vein to the northwest, and indications for its continuance in depth are so good that I do not hesitate to predict an excellent future for the mine.

The mine plant is in first-class condition as regards buildings, machinery and underground workings.

It was hoped that the cost of mining would have been reduced towards the end of 1908, but due to extensive development work this did not occur. At present the cost of mining soft ore, now going to the mill, is much reduced and during the period of more limited development work, mining costs will unquestionably be less.

The amount of water has greatly diminished until it is now only about 50 gallons per minute, but as we sink to the 9th level we may expect to encounter large quantities of water, and preparations have been made to handle it. A contract has been made with the owners of the adjoining Carmen Mine permitting the introduction of air and the exit of water through the tunnel of their mine, thereby relieving us of large expense for elevating water to surface and for pumping air into the mine. In compensation for this the

Pinguico Company has deeded a small piece of ground belonging to its Calderones Ranch to the Carmen Company for a mill site.

*Transportation
of
Ore*

The transportation of the ore from mine to mill, over the railroad of the Mexican Milling and Transportation Company, has been satisfactory and the cost has steadily decreased as better equipment has been provided, both by the road and in the dumping arrangement of our own bins. The cost has decreased from a maximum of 43 cents per ton, to a present minimum of 12.5 cents per ton.

MILL

*Equipment
and
Improvements*

An automatic sampling plant has been added to the mill for the purpose of obtaining a more reliable mill head sample of the ore. No other equipment or improvements of consequence were installed during the year. All of the machinery is in good working order, but there is no doubt that the changed condition of the ore in the mine, since the mill was first designed, would make tube mills of more benefit for regrinding than the present Chilian mills, and it is to be hoped that financial conditions will permit a change in this respect.

The gross value of the product recovered by the mill and sold was 85.45 per cent. of the value of the ore put into the mill, as based upon head sample taken.

The actual tail sample, which shows the values remaining in the tails and therefore lost, would indicate a slightly higher extraction, which is to be partly accounted for by the values in suspense in the mill.

Operation

While milling lower grade ores for the last six months, a larger tonnage was being forced into the mill in order to procure larger commercial results, and the effect has been a poorer extraction during that period. We are now milling higher grade ore, and the extraction based upon actual tailings going out would seem to show about 90 per cent. recovery. The cost of milling last year was \$2.11 per ton and with higher grade ore and the necessity of using more cyanide, the milling cost per ton will probably be somewhat higher for the next few months.

At present the mill heads are being kept at about \$20 per ton, and so long as this grade of ore can be maintained, excellent profits will be realized.

The Financial Statements submitted herewith cover the period from May 1, 1908 to April 30, 1909.

*Financial
Statements*

The Company shipped to the smelters 536 metric tons of ore, upon which was realized \$127,105.39. The receipts from Bullion and Concentrates sold were \$956,981.74 and from miscellaneous revenues \$135.34 making the total revenue from all sources \$1,084,222.47.

The total Mining, Milling and General Expenses were \$688,533.27, leaving the Net Profit over Operations, \$395,689.20, and after deducting \$120,000 paid in dividends the remaining surplus amounts to \$275,689.20. Property, Options, Franchises, etc., were charged off or depreciated \$93,646.35, which leaves a Surplus for the year of \$182,042.85.

Prior to May 1, 1908, the Company made a net profit of \$33,917.20 over and above all operations and dividends paid, and this added to the profits for the present period makes the net Surplus to April 30, 1909, \$215,960.05.

During the year, in addition to paying interest, the Company reduced its obligations \$180,335.07. There was also expended on Construction and Asset Accounts, \$92,473.25.

The net remaining indebtedness over accounts due to the Company is \$106,491.87, which at the present rate of earnings will soon be liquidated.

Respectfully submitted,

GEORGE W. BRYANT,

President

New York, June 1, 1909.

Pinguico Mines Company

Assets and Liabilities

At the Close of Business, April 30, 1909

ASSETS

Property, Options, Franchises Etc.,	\$7,208,826.90
Storehouse, Tools and Supplies,	112,804.76
Accounts Receivable,	27,651.45
Ore Produced and Values in Process of Treatment,	28,470.96
Cash,	920.26
	<u>\$7,378,674.33</u>

LIABILITIES

Capital Stock—Preferred,	\$2,000,000.00
Capital Stock—Common,	5,000,000.00
Bills Payable,	127,100.00
Vouchers and Accounts Payable,	7,143.32
Profit and Loss,	\$215,960.05
Production in Suspense,	28,470.96 244,431.01
	<u>\$7,378,674.33</u>

Pinguico Mines Company

Statement of Receipts and Disbursements

May 1, 1908 to April 30, 1909

RECEIPTS

Cash on Hand May 1, 1908,	\$ 1,201.77
Revenues from Production,	1,084,087.13
Revenues from Calderones Ranch,	135.34
Outside Sources—Storehouse,	17,449.69
	<u>Total Receipts,</u> \$1,102,873.93

DISBURSEMENTS

Ranch Property and Mill Site,	\$ 225.00
Construction,	92,248.25
Bills and Accounts Payable,	180,335.07
Accounts Receivable,	20,612.08
Dividends,	120,000.00
Mining, Milling and General Expenses,	688,533.27
	<u>Total Disbursements,</u> \$1,101,953.67
Cash on Hand, April 30, 1909,	<u>\$920.26</u>

Pinguico Mines Company

Dividends Paid

September 13, 1906 to April 30, 1908

April 1, 1907,	\$60,000.00
October 1, 1907,	60,000.00
April 1, 1908,	60,000.00
October 1, 1908,	60,000.00
April 1, 1909,	60,000.00
Total,	<u>\$300,000.00</u>